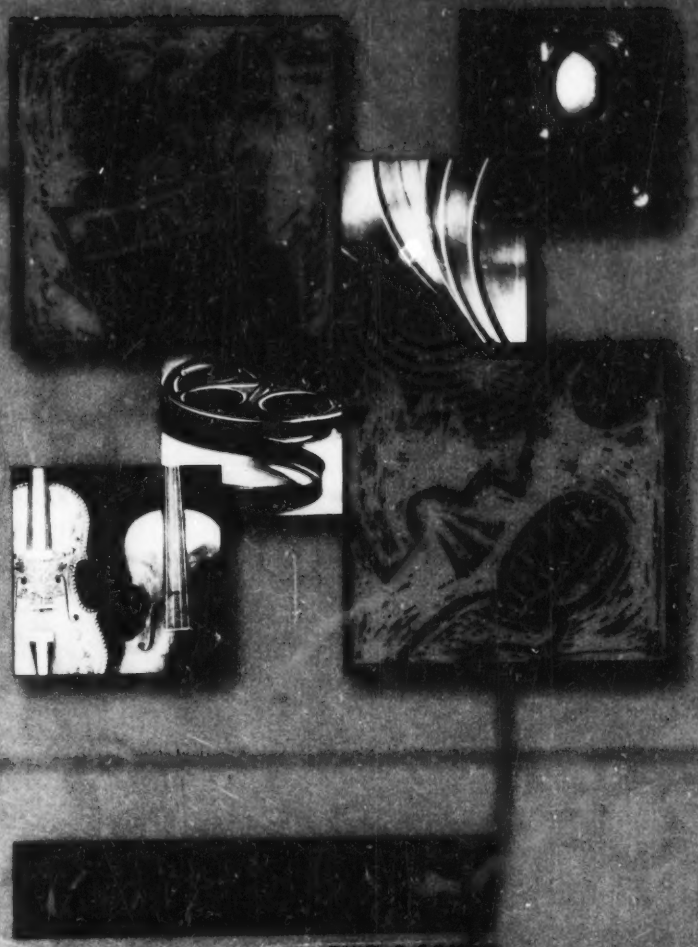


ANNUAL REPORT 2000/2001

THE MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

2000/2001 ANNUAL REPORT

Letter of Transmittal

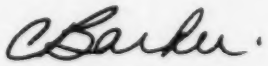
June 29, 2001

The Honourable Ron Lemieux
Minister of Culture, Heritage and Tourism
Room 118, Legislative Building
450 Broadway
Winnipeg, Manitoba
R3C 0V8

Dear Minister Lemieux,

In accordance with Section 16 of *The Manitoba Film and Sound Recording Development Corporation Act*, I have the honour to present the Annual Report of the Manitoba Film and Sound Recording Development Corporation for the fiscal year ended March 31, 2001.

Respectfully submitted,



Cheryl Barker
Chair, Board of Directors

102-00141/

MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

Cheryl Barker
Chair, Board of Directors

Carole Vivier
CEO & General Manager

Fiscal 2001 was a year characterized by achievement, change and growth for the Manitoba Film and Sound Recording Development Corporation (**MANITOBA FILM & SOUND**). Since its creation in 1987, **MANITOBA FILM & SOUND** has played a pivotal role leveraging the Province of Manitoba's investment to foster and advance Manitoba's music and motion picture industries. The results are vibrant and growing industries that not only contribute to our provincial economy, but also to the cultural richness and diversity that is Manitoba. Over the past year, we made tremendous progress in fulfilling our mission of developing Manitoba's new and existing talent by communicating and marketing our artists to the world.

MANITOBA FILM & SOUND was once again instrumental in driving growth in these exciting industries that are an important segment of our provincial economy. **MANITOBA FILM & SOUND** committed approximately $1.4 million to film and sound recording budgets in the fiscal year 2001. For the provincial motion picture industry as a whole, indigenous, co-production and foreign activity reached $50 million, a 36% increase over last year's activities.

We also continued to drive growth through a variety of other initiatives. Strategic planning sessions identified challenges facing the music and motion picture industries. Opportunities to overcome these challenges were also identified to take Manitoba's industries to higher levels. We continued to work closely with numerous organizations to provide professional development and marketing resources to filmmakers and musicians. Two of our initiatives included the sponsoring of a "New Song Bursary" and the creation of a "Low Budget Feature Film Development Program". In addition, 116 projects received funding through a variety of our other marketing programs.

Aimed at vaulting Manitoba's industries on to the global stage, **MANITOBA FILM & SOUND** launched several new marketing endeavours:

- **MANITOBA FILM & SOUND** was one of the Canadian sponsors of Canada at Cannes 2000. We took part in panel discussions on international co-production, federal and provincial tax credits, service deals, gap financing, bonding, creative resources, locations and services.
- Several members of the Manitoba production community took part in a United Kingdom/Republic of Ireland mission known as "Manitoba International".
- The sixth annual USA Producers Tour took place from May 23-26, 2000 showcasing Manitoba's resources and services that make it a desirable and cost effective film location.
- Discussions between the western provincial funding agencies led to the creation of CANADA WEST. Through CANADA WEST, producers from participating provinces were given a cost effective means to market their projects, make contacts and gain valuable marketing experience.
- **MANITOBA FILM & SOUND** produced a Manitoba Music compilation CD of 18 independent artists that was distributed at various national and international conferences.

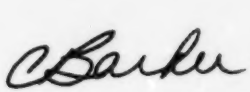
Perhaps the best measure of **MANITOBA FILM & SOUND**'s continued success are the various accomplishments/awards bestowed upon musicians and filmmakers this year - and there were many.

- Scruj MacDuhk's album *The Road to Canso* garnered two Prairie Music awards. including Outstanding Album.
- McMaster & James picked up the Entertainer of the Year/People's Choice Prairie Music award.
- Hawg Wylde, *Upanatum* was nominated for a Canadian Country Music Award.
- Noam Gonik's *Hey! Happy* was one of seven films screened to a sold out crowd in the Midnight series at the prestigious Sundance Film Festival.
- In addition to receiving honourable mentions in the Best Film and Best Canadian Film categories, *Kanadiana* picked up a Jury Award, Best Screenplay Award, and Best Male Lead Act Award at Toronto's Planet Indie 2000 Film Festival. *Kanadiana* was also invited to screen at Film Festivals in Puerto Rico and Dublin.
- Buffalo Gal Pictures's co-production *The Law of Enclosures* and desire were among the 20 features selected to screen for Perspective Canada at the Toronto International Film Festival. desire was selected to screen at the Manheim Heidelberg International Film Festival's Opening Night Reception.
- Marble Island Picture's *Heater* was selected to screen at the 44th Regus London Film Festival in London, England.
- The first four episodes of Credo Entertainment's *Pioneer Quest: A Year in the Real West*, was History TV's top-rated documentary, with the fifth and sixth episodes receiving the No.1 spot in any genre.

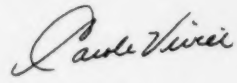
These accomplishments not only demonstrate the hard work and dedication of our producers, writers, musicians and craftspeople, but also demonstrate the calibre of talent within Manitoba.

Collectively, we have made excellent progress in elevating Manitoba's evolving industries. We would like to thank all Manitobans for facilitating the industry's expansion and welcoming film production into our communities. In addition, thanks to all agencies, associations, companies, departments, and individuals for their expertise and time. We would also like to extend sincere appreciation to our outgoing members of the Board whose contributions have been instrumental in our success over the past few years. To our new Board members, we welcome you to **MANITOBA FILM & SOUND** and look forward to working together in advancing our strategic plans.

As good as fiscal 2001 was, the upcoming year promises to be even better. **MANITOBA FILM & SOUND** continues to work closely with our provincial government whose involvement and commitment to the music and motion picture industries is key to its continuing growth and prosperity. We look forward to marketing the province as a robust, vibrant, accommodating place to do business, and to contributing to the advancement of these industries that are flourishing with exciting opportunities.



Cheryl Barker
Chair, Board of Directors



Carole Vivier
CEO and General Manager

April 19, 2001

THE CORPORATION

Manitoba Film and Sound Recording Development Corporation ("**MANITOBA FILM & SOUND**") is a statutory corporation of government proclaimed under *The Manitoba Film and Sound Recording Development Corporation Act*. Funded by the Province of Manitoba, **MANITOBA FILM & SOUND** management reports directly to a nine-member Board of Directors appointed by the Lieutenant Governor.

Society's Child, a movie of the week co-produced by Buffalo Gal Pictures Inc. and Sienna Films Inc. Photo Credit: Thomas Fricke

MANITOBA FILM & SOUND's mission is to promote Manitoba's film and sound recording artists and industries at home and to the world, by:

Developing new talent, industry-skills, the industry,

Nurturing the new and existing talent, to higher levels, and

Communicating and marketing to people at home and throughout the world the talent and skill-levels that are here in Manitoba.

They Call Me Chief, a Marks on Things Inc. and Rocky Point Pictures documentary co-production.

BOARD OF DIRECTORS

The activities of **MANITOBA FILM & SOUND** are monitored by the Board of Directors that includes:

Current Board Members:

Cheryl Barker - Chair
Victor Dobchuk - Vice-Chair
Heather Bishop
David Dandeneau
Léo Dufault
Shereen Jerrett
Tom Kormylo
Gerry McIvor
Dale Severyn

Past Board Members:

Valerie Anne-Owen
Lisa Monkman
Ron Paley
Bertram Schneider

PERSONNEL

The Corporation is administered by the Chief Executive Officer and General Manager, who reports directly to the Board of Directors.

STAFF:

Carole Vivier - Chief Executive Officer and General Manager
Eleanore Schlamb - Manager, Finance & Administration
Alexa Rosentreter - Manager, Film Programs
Kevin Walters - Manager, Sound Recording Programs
Monique Ledohowski - Manager, Systems & Operations
Danielle Jubinville - Locations Coordinator
Brandice Vivier - Programs Analyst
Pamela Hoeschen - Administrative Assistant

2000/2001 YEAR IN REVIEW

Working closely with industry representatives, **MANITOBA FILM & SOUND** strives to explore, share, and present ideas to address the needs of our music and motion picture industries. This collaborative effort has made our industries what they are today. Following is an overview of some of **MANITOBA FILM & SOUND**'s undertakings over the course of the 2001 fiscal year:

SUPPORTING INDUSTRY GROWTH

• **MANITOBA FILM & SOUND** along with industry professionals held Strategic Planning Sessions for both the music and motion picture industries, to discuss and strategize on the future development and growth of our industries. While it is evident that both industries have grown over the years, some key challenges facing both industries need to be addressed in order for our industries to progress to the next levels. Immediate action was identified in the areas of capitalization of companies, continuum of skill development, strengthening companies for market-readiness to ensure success in the global marketplace, and addressing the unique challenges facing Manitoba's Francophone and Aboriginal music and motion picture communities.

In an effort to begin addressing some of these challenges, the Manitoba Motion Picture Industries Association and the Manitoba Audio Recording Industry Association submitted a detailed joint Marketing and Business Development proposal to Western Economic Diversification for consideration. The Proposal is structured as a 3-year initiative that would provide support in the areas of market development, business skills and professional development, and research and evaluation.

In addition, as a result of these Strategic Planning Sessions, a report outlining the additional programming and financial resources required for further growth and development of these industries was prepared by **MANITOBA FILM & SOUND** and presented to the Department of Culture, Heritage and Tourism. Additional funding is essential to achieve the identified goals within both these industries.

• As part of its commitment to emerging talent, the Corporation announced the creation of a new Low Budget Feature Film Development Program this fiscal year. The Program is designed to assist with the development of viable low budget feature film projects, which demonstrate script excellence, risk taking, and a unique cinematic voice. Thirteen applications were submitted for the May 1 and November 1 deadline dates, and were adjudicated by independent juries. Jury decisions resulted in five projects being approved for development funding, and two projects receiving special awards funding.

United Kingdom/Republic of Ireland mission, "MANITOBA INTERNATIONAL"
Front L-R: Andrew Koster of Credo Entertainment, Jeremy Torrie of I.C.E. Productions, Vonnie Von Helmolt of Von Helmolt Productions, Kevin Dunn of MidCanada Production Services.
Back L-R: Phyllis Laing of Buffalo Gal Pictures, Richard Horne Executive Director of MMPIA, Jamie Brown of Frantic Films (formerly of Credo Entertainment), Deanne Rohde formerly IATSE Local 856 Business Agent, Carole Vivier CEO of MANITOBA FILM & SOUND, Katrina Wood CEO of MediaExchange.

Ford/Caron Duo

• Following industry consultations, and review and approval by both the Programs Committee and Board of Directors, **MANITOBA FILM & SOUND** implemented and continues to make ongoing changes to its existing Program Guidelines. Changes included:

- Enhancements to the Manitoba Content Requirement within the film & television Production Investment Programs, to capitalize on the skills of Manitoba Directors, and to encourage training as part of the need for more skilled crew.
- Funding levels within the Sound Recording Production Fund and the Demo Recording Programs were amended.
- Revising the Writer Deferral policy within the film & television Script Development Guidelines.
- Minimum recoupment levels were implemented for previous album projects for repeat clients.
- Currently restructuring the Non-Theatrical Fund to an Emerging Talent Matching Funds Program.
- Modifications are currently being implemented to the Special Loan Program, eliminating the percentage cap when combining equity and special loan funding and revising the program cap to not exceed $250,000 unless otherwise determined from time-to-time by the Corporation.

• **MANITOBA FILM & SOUND** sponsored a "New Song Bursary" for Songwriters. Winners were determined during a one-night competition hosted by the Manitoba Country Music Association (MCMA), and were independently juried. The winners, Amber Fleury and Ray Martin were each presented with $500 recording bursaries from **MANITOBA FILM & SOUND** during the MCMA Awards night.

• Filmmakers and musicians alike receive valuable professional development, marketing and financial resources to enhance their skills through organizations such as the Manitoba Audio Recording Industry Association, the Manitoba Motion Picture Industries Association, the National Screen Institute-Canada, Film Training Manitoba and the Winnipeg Film Group. **MANITOBA FILM & SOUND** continues to fund and work closely with these organizations to achieve our common goal, the growth of our musicians, producers, writers and craftspeople.

2000/2001 YEAR IN REVIEW

MARKETING ACTIVITIES

• As a result of ongoing discussions between the provincial funding agencies of Manitoba, Saskatchewan, Alberta and British Columbia regarding access to Market challenges of the Western Canadian film and television industry, CANADA WEST was created. The objective of CANADA WEST is to develop and implement an economic export marketing strategy through which Western Canadian producers and film agencies can obtain increased access to the global marketplace. The inaugural CANADA WEST booth was launched at the National Association of Television Program Executives Conference (NATPE), one of the most recognized international markets that brings together producers and buyers of television programming from around the world. Through CANADA WEST, Producers from the participating Provinces were given a cost effective means to market their projects, make contacts, and gain valuable market experience. Twenty-five independent production companies from Western Canada in addition to representatives from the provincial funding agencies, associations (including MMPIA), and film commissions participated. CANADA WEST at NATPE was viewed as a great success by participants, and organizers continue to meet and discuss participation at other markets and/or events. CANADA WEST is sponsored by: The Alberta Community Development, Alberta Motion Picture Industry Association, Bridge Studios, British Columbia Film, BC Film Commission, Department of Foreign Affairs and International Trade, Directors Guild of Canada - BC District Council, **MANITOBA FILM & SOUND** and SaskFilm.

• To assist in marketing Manitoba's homegrown talent, **MANITOBA FILM & SOUND** produced a Manitoba Music compilation CD. Eighteen independent recording artists are featured on the CD, that were funded by **MANITOBA FILM & SOUND** in fiscal years 2000 and 2001. The CD is distributed at various national and international music conferences. In addition, the third annual Folk Alliance compilation CD was produced for distribution at the Folk Alliance 2001 Conference. Sixteen of Manitoba's folk recording artists showcased at this conference, making it the largest assembly of Manitobans to perform at this prestigious event.

CANADA WEST at NATPE Front Row L-R: Sonya Thissen Trade Commissioner, Dept. of Foreign Affairs and International Trade, SaskFilm's Susan Bell, and General Manager Valerie Creighton, MANITOBA FILM & SOUND CEO Carole Vivier, British Columbia Film Commission's Alice To. Back Row L-R: British Columbia Film's Liz Shorten, Colin Robertson Consul General L.A., President & CEO of British Columbia Film Rob Egan.

Skender Seffa

• **MANITOBA FILM & SOUND** continues to co-host BBQ's at the North-By-Northeast Conference (NXNE - in Toronto) and South-By-Southwest Conference (SXSW - in Austin). The NXNE BBQ has become the premier event and one of the most coveted invitations. Attendees include a number of well known industry representatives from A&R (Warner Music, Attic Music, Universal Music), Press (Chart, Now and Eye Magazines), Management (*Larry Wanagus*, Manager of Big Sugar and Susan Aglukark, and *Steve Warden*, Manager of Remy and Limblifter) to Publicists (EMI Music Publishing, *Derek Ross* - Independent Label Publicity). Manitoba's B'ehl, BS Romeo, Christine Fellows, Easily Amused, The Harlots and The Lovedaddys all showcased at NXNE 2000. In addition Easily Amused and The Lovedaddys performed at the NXNE BBQ and The New Meanies showcased and performed at SXSW 2001.

• Several members of the Manitoba production community took part in a United Kingdom/Republic of Ireland mission known as "Manitoba International". Developed by the Manitoba Motion Picture Industries Association (MMPIA), the initiative is part of an overall international marketing strategy, to enhance Manitoba's profile internationally and expand on co-production partners. The Manitoba consortium taking part in "Manitoba International" included: **MANITOBA FILM & SOUND**'s *Carole Vivier*, *Phyllis Laing* of Buffalo Gal Pictures, *Andrew Koster* and *Jamie Brown* of Credo Entertainment, *Vonnie Von Helmolt* of Von Helmolt Productions, *Kevin Dunn* of MidCanada Production Services, *Jeremy Torrie* of I.C.E. Productions, MMPIA Executive Director *Richard Horne* and IATSE Local 856 Business Agent *Deanne Rohde*. The group met with producers, distributors and broadcasters and hosted a reception at the Canadian Consulates in both London and Dublin.

2000/2001 YEAR IN REVIEW

MARKETING ACTIVITIES (cont.)

• **MANITOBA FILM & SOUND** was one of the many Canadian sponsors of "Canada at Cannes 2000". In its second year, this event takes place during the Cannes International Film Festival and features a forum on the creative and economic advantages of producing in Canada. **MANITOBA FILM & SOUND** took part in panel discussions on international co-production, federal and provincial tax credits, service deals, gap financing, bonding, creative resources, locations and services. Guests included producers and production companies, foreign sales companies, buyers and financiers from North America, South America, United Kingdom, Europe, Japan, Hong Kong, Taiwan, S. Korea, Australia, New Zealand and New South Wales.

• It was a busy year in our Location department, with over 120 location scout requests and general information packages distributed over the course of the fiscal year. In addition, the sixth annual U.S. Producers Tour took place from May 23 - 26, 2000. Visiting tour guests included: *Randall Miller & Susan Ruskin* (Middle Fork Productions), *Mitch Paradise* (Paradise Communications), *Steve Rubin* (Fast Carrier Productions/Showtime), *Brad Southwick* (Triple Peak Productions). The Annual Producers Tour has proved to be a very effective way of demonstrating first hand what Manitoba has to offer in the way of resources and services that make us a desirable and cost effective film location. This tour to Manitoba is made possible through the co-operation and financial support of the entire community. Provincial government, Civic government, the business community and the film industry all contribute to making this tour a success.

• Guest Productions that took place in Manitoba this year included:
- "Wishmaster 3: Sword of Justice" and "Wishmaster 4: The Prophecy Fulfilled" both feature films, co-produced by Paquin Entertainment Group (WPG) and Blue Rider Pictures (L.A.).
- "Acceptable Risk" a feature film & "Inside the Osmonds" a movie-of-the-week were both produced by Von Zerneck-Sertner Films (L.A.). (Attendees of the 1998 Producers Tour)
- "Without A Word", a feature film co-produced by Franchise Films (L.A.)/Minds Eye Pictures (SK).
- "K-19 The Widow Maker", a feature film produced by Intermedia Films International (L.A), used Lake Winnipeg for shooting open scenes for film.
- "DNA and its Future" (1 episode), a documentray series co-produced by NHK/Paphiopedilum LLC (NY).
- "Canada: A People's History", (1 episode), a documentary series produced by the CBC.
- "Disasters of the Century", a documentary produced by Partners in Motion (SK)

U.S. PRODUCERS TOUR 2000 - WELCOME RECEPTION Front Row L-R: Manitoba Film & Sound CEO Carole Vivier, City of Winnipeg Deputy Mayor Lillian Thomas, MF&S Chair Cheryl Barker, The Honourable Deputy Premier Jean Friesen, former Minister of Culture, Heritage & Tourism The Honourable Diane McGifford. Back Row L-R: Visiting Producers - Randall Miller (Middle Fork Productions), Brad Southwick (Triple Peak Productions), Susan Ruskin (Middle Fork Productions), Steve Rubin (Showtime), Mitch Paradise (Paradise Communications).

Tracy Kohne

• **MANITOBA FILM & SOUND** continues to aggressively market Manitoba as a film location. In addition to its marketing meetings and activities **MANITOBA FILM & SOUND** co-hosted a reception along with the Canadian Consulate General, five other provinces, the Yukon and Air Canada in Los Angeles. The reception was attended by over 150 people from major studios, television networks and the independent production community, and celebrated the relationship between the Canadian film commissions and the Los Angeles production community. The reception also included a tribute to former Consul General - *Kim Campbell* and to welcome *Colin Robertson* as the new Consul General.

• **MANITOBA FILM & SOUND** revamped its website which now provides our clients with the opportunity to download program application forms and guidelines, the tax credit package, production guide, and among other services provides information on who is shooting and recording in Manitoba. The number of hits to the site has increased 136% to a monthly average of 1,500 from 650 prior to the new site launch in late February, 2000.

MANITOBA FILM AND VIDEO PRODUCTION TAX CREDIT

The Manitoba Film and Video Production Tax Credit was introduced in 1997 to provide an incentive to the private film and television production industry to create economic employment growth in the province. The tax credit rebates the lesser of: 35% of eligible Manitoba labour expenditures and 22.5% of eligible total production costs.

The Manitoba Tax Credit combined with **MANITOBA FILM & SOUND**'s equity financing are essential to the growth of Manitoba's film and television industry. The Manitoba Tax Credit can also be credited for bolstering both co-production (Manitoba shared ownership & control) and foreign location shooting (non-Manitoba owned & controlled) activity in the province. **MANITOBA FILM & SOUND** statistics show that foreign location shooting grew from virtually nothing in fiscal year 1998 to $25.4 million in fiscal year 2001. As Figure 2 demonstrates, independent and foreign production activity levels have grown from approximately $17 million in fiscal year 1998 to $50 million in fiscal year 2001. This level of growth can be attributed in part to the creation of the Manitoba Film and Video Tax Credit.

John Kimura Parker, host Whole Notes II: Stories Behind the Classics, a documentary series co-produced by Buffalo Gal Pictures Inc and Sound Venture Productions. Photo Credit: Couvrette Studios, Ottawa

A total of 45 productions applied to the tax credit program (both Part A and Part B applications) during the 2001 fiscal year, representing approximately $76.7 million worth of production activity, and estimated tax credits of $7.4 million.

FIGURE 1:

TYPE	Number of Projects	Projected Final Production Budgets	Projected Tax Credit	Tax Credit as % of Budget
Feature Films	7	$ 27.9 million	$ 2.5 million	9%
TV Series	3	$ 22.1 million	$ 2.0 million	9%
Movie of the Week, TV Specials	15	$ 17.1 million	$ 1.8 million	11%
Documentary/Doc. Series	20	$ 9.6 million	$ 1.1 million	11%
TOTALS	**45**	**$ 76.7 million**	**$ 7.4 million**	**10%**

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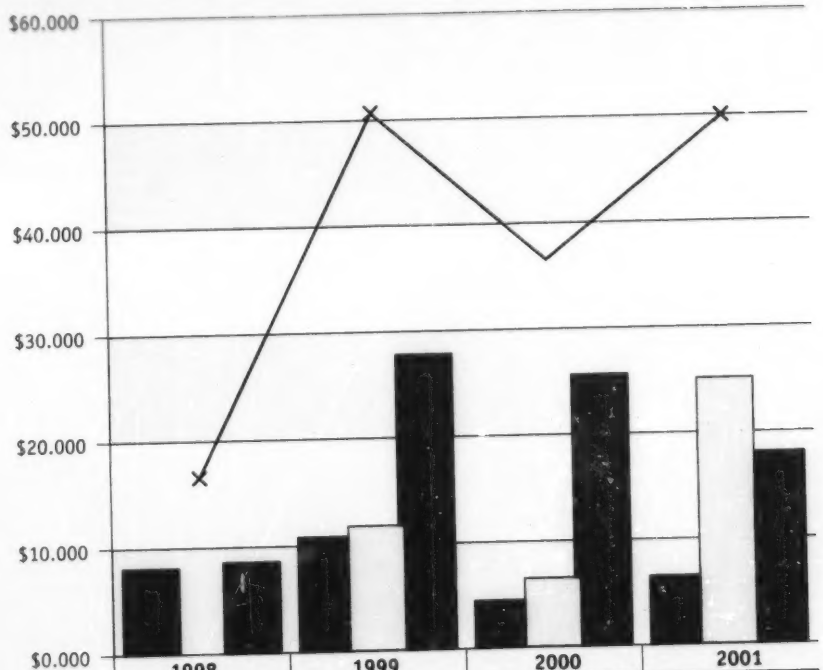
TOTALS	**45**	**$ 76.7 million**	**$ 7.4 million**	**10%**

FIGURE 2:

FILM & TELEVISION PRODUCTION IN MANITOBA

(in millions of dollars)

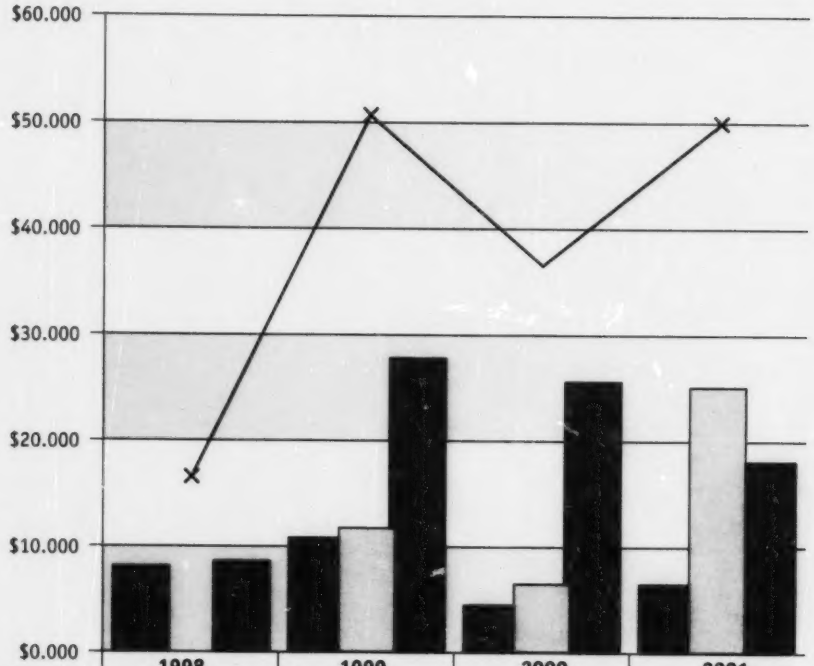


	1998	1999	2000	2001
Manitoba-owned & controlled	$8.1	$11.0	$4.6	$6.6
Manitoba shared ownership & control	$8.6	$28.0	$25.8	$18.2
Non-Manitoba owned & controlled	$0.	$11.9	$6.6	$25.4
Total Production	$16.7	$50.9	$37.0	$50.2

FISCAL YEAR ENDED MARCH 31

FIGURE 2:

FILM & TELEVISION PRODUCTION IN MANITOBA
(in millions of dollars)



	1998	1999	2000	2001
Manitoba-owned & controlled	$8.1	$11.0	$4.6	$6.6
Manitoba shared ownership & control	$8.6	$28.0	$25.8	$18.2
Non-Manitoba owned & controlled	$0.	$11.9	$6.6	$25.4
Total Production	$16.7	$50.9	$37.0	$50.2

FISCAL YEAR ENDED MARCH 31

OTHER DOLLARS LEVERED

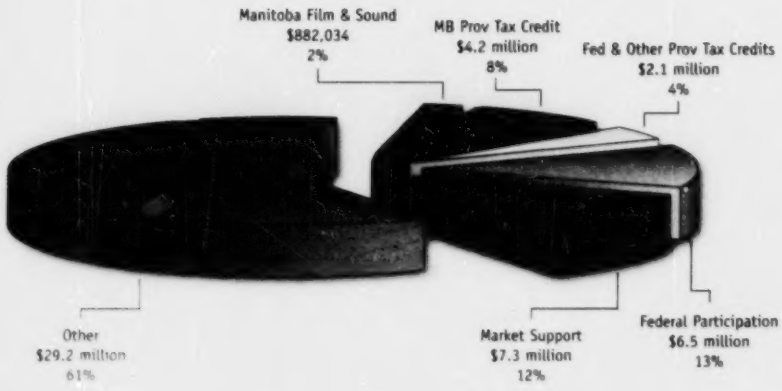
FILM

Financing of independent productions requires the participation from several sources and often **MANITOBA FILM & SOUND**'s equity commitment to a project will trigger other investors to participate. Outside of **MANITOBA FILM & SOUND** and the Manitoba Provincial Tax Credit other sources for production financing comes from Federal Participants (ie. Telefilm Canada, Canadian Television Fund), Market Support (Broadcaster licences, Distribution Advances), Federal & Other Provincial Tax Credits, and Private Sector (ie. Production Company investment, deferrals, Corporate sponsors).

As Figure 3 demonstrates, with Manitoba's 10% equity financing and tax credit support, $50 million in indigenous, domestic co-production and foreign production activity occurred in fiscal year 2001. This in turn attracted another $45 million of investment from other sources. For every $1 of Manitoba equity and tax credit investment an additional $9 was triggered in other production financing. This is a clear indication that Manitoba's modest investment attracts millions of dollars of additional revenues into Manitoba's economy.

FIGURE 3:

Film Production Dollars Levered Fiscal 2001



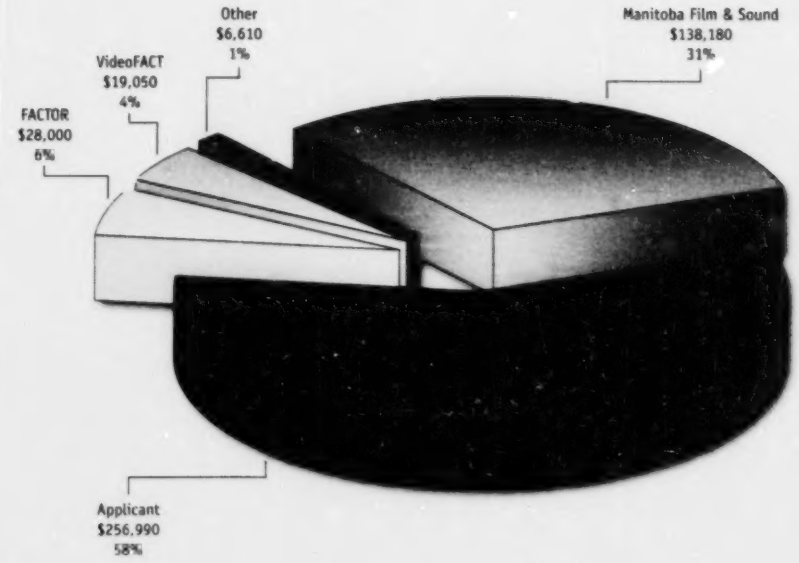
Source: Fiscal year 2001 film production activity of $50.2 million as of March 31, 2001 is compiled from data provided in equity and tax credit applications submitted to ***MANITOBA FILM & SOUND****.*

SOUND

Funding from other sources to the sound recording industry is limited (FACTOR, Video FACT) and therefore very competitive. **MANITOBA FILM & SOUND**'s investment is the key element of support to Manitoba's emerging and established musicians. As shown in Figure 4, for every $1 of investment from **MANITOBA FILM & SOUND** an additional $3 of investment is triggered with the majority of investments coming from the recording artists themselves. The financial investment from both the musicians and **MANITOBA FILM & SOUND** has contributed significantly to the cultural and economic successes of this industry on national and international levels.

FIGURE 4:

Sound Dollars Levered Fiscal 2001



Source: Fiscal year 2001 sound production activity of $448,830 as of March 31, 2001 compiled from data provided in album, demo and music video applications submitted to ***MANITOBA FILM & SOUND****.*

JURIES

Peer-review adjudication remains at the core of **MANITOBA FILM & SOUND**'s Sound Recording, Demo Recording, and Low Budget Feature Film Development programs.

Jurors for Sound programs are drawn from all sectors of the provincial sound recording industry and include record retail employees, recording studio personnel, producers, engineers, musicians, songwriters, agents, talent managers, lawyers and publicists. Sound Recording proposals must be recommended for funding unanimously by at least two juries. Proposals are then analyzed and a recommendation for funding is made by the Manager, Sound Recording Programs prior to the execution of a contract.

Film industry professionals, organized through the National Screen Institute-Canada, adjudicate all Low Budget Feature Film Development applications. Proposals and juror recommendations are then analyzed and a recommendation for funding is made by the Manager, Film Programs prior to the execution of a contract.

Thank you to the following jurors who gave so generously of their time:

Sean Allum
Kirsten Andrews
Mark Aptekman
Sonia Arab
Darcy Attaman
Gerry Atwell
Sam Baardman
Greg Barratt
John Batiuk
Chris Brett
Hal Brolund
Les Bruce
Tremaine Burrows
Kevin Clifford
Billy Collins
Marc Crevier
Damon D'Oliveira
Vince Fontaine

Steve Bell

Nathan

The New Meanies

Lyle Foster
Chris Frayer
Brandon Friesen
Gord Fry
Stefan Gisliso
Aileen Goos
Maurice Hogue
Doug Holmes
David Hopwood
Rob Hoskin
Susan Israel
Paul James
Liz Janzen
John Jones
John Kendle
Bartley Kives
Rob Krause
Norm Lussier
Boyd MacKenzie
Allan Magee
Howard Mandshein
John Marlow
Ray Martin
Candice Masters
Randall McIlroy
Craig Medwyduk
Scott Nolan
Paul Nolin
Linda Nelson
James O'Connor
Art Pearson
Lloyd Peterson
Ross Porter
Kinzey Posen
Doren Roberts
Rob Rousseau
Larry Roy
RoseAnna Schick
Danny Schur
Dave Sherman
Jason Smith
Sara Stasiuk
Jeff Storry
Anthony Tordiffe
Rick Unruh
George Vincent
Glen Willows
Wes Wilson
Alan Wolanin
Elizabeth Yake

PROJECTS SUPPORTED IN FISCAL YEAR 2001

FILM PROGRAMS

DEVELOPMENT

MARKET DRIVEN FEATURE FILM DEVELOPMENT FINANCING PROGRAM AND MARKET DRIVEN TELEVISION DEVELOPMENT FINANCING PROGRAM

Eligible applicants receive financial assistance for the development of viable motion picture concepts into screenplays for Television and Theatrical Release. Financing under both these programs takes the form of a recoupable loan and is committed according to phases. Should the project qualify for production financing, the development loan is converted into an equity investment.

Feature Film Development: Phase I - Concept to Fully Developed Treatment; Phase II - Treatment to First Draft Screenplay; Phase III - Second Draft Screenplay; and Phase IV - Final Draft Screenplay & Packaging. Loans are capped at a maximum of $35,000 for all four phases or 50% of approved eligible costs, whichever is lesser.

Me, My Brother, and My Father's Van Gogh, a documentary produced by Riverain Productions Ltd.

Television Development: Phase I - Concept to Fully Developed Treatment; Phase II - Treatment to First Draft Screenplay;
Phase III - First Draft to Final Draft Screenplay. Loans are capped at a maximum of $25,000 for all three phases or 50% of approved eligible costs, whichever is lesser.

During the 2001 fiscal year, 17 applications were approved for a total investment of $115,073:

APPLICANT	PROJECT	CATEGORY
Barry and Gary Productions	Women with Guns?	Documentary
Boke Inc./Triptych Media Inc.	The Republic of Love	Feature
Buffalo Film Company Inc.	The Fruit Machine	Feature
Buffalo Film Company Inc./ Vue Pty Ltd.	Goddess	Documentary Series
Buffalo Film Company Inc./Lucky Pictures	Seven Times Lucky	Feature
Credo Entertainment Corporation	Hockey Dreams	Movie of the Week
Edgeland Films Inc.	Haunts of the Black Masseur	Documentary
I.C.E. Productions Ltd./The Film Works Ltd.	J.J. Harper: A Ghost Story	Movie of the Week
Marks on Things Inc./ Rocky Point Pictures	They Call Me Chief	Documentary
Mighty Kraken Films Inc.	Big City	Feature
Original Pictures/Woodfall Communications Inc.	Guinevere Jones	Children's Television Series
R.H. Productions Inc.	Northern Divas, Phase II	Documentary Series
R.H. Productions Inc.	Northern Divas, Phase III	Documentary Series
RGB Films Inc.	Red Cliff Bay	Feature
Riverain Productions Ltd.	The Art of War	Documentary
Vonnie Von Helmolt Films	Mark Godden's Dracula-The Ballet	Television Dance
Walking Down Broadway Inc.	Black Silhouette	Feature

PROJECTS SUPPORTED IN FISCAL YEAR 2001
FILM PROGRAMS

DEVELOPMENT (cont.)

LOW BUDGET FEATURE FILM DEVELOPMENT FINANCING PILOT PROGRAM

This newly created program provides eligible applicants with financial assistance for the development of viable low budget feature film projects. Funding decisions are based on a subjective assessment by an independent jury. Projects are assessed on script excellence, creative and cinematic merits, and are held twice yearly.

Funding is available in phases with a maximum investment of $25,000 for all three phases: Phase I - Treatment to First Draft; Phase II - First to Second Draft; Phase III - Final Draft and Packaging.

During the 2001 fiscal year, five applications and two Special Jury Awards were approved for a total investment of $57,955:

Powwow Trail, documentary series produced by I.C.E. Productions Ltd.

Inertia, a feature produced by Brendon Sawatzky and Sean Garrity

APPLICANT	PROJECT
Big Daddy Beer Guts Inc.	The North End
Buffalo Gal Pictures Inc./Journey Films Inc.	Jacklighting, Phase I
Buffalo Gal Pictures Inc./Journey Films Inc.	Jacklighting, Phase II
Jason Tucker	Special Jury Award
Jon Einarsson Gustafsson	Consequence Free
Oscar Fenoglio/Michael Marshall	Rushes
Shereen Jerrett	Special Jury Award

PROJECTS SUPPORTED IN FISCAL YEAR 2001
FILM PROGRAMS

PRODUCTION FINANCING

MARKET DRIVEN TELEVISION PRODUCTION FINANCING PROGRAM AND MARKET DRIVEN FEATURE FILM PRODUCTION PROGRAM

The Film Production Financing Program assists in the production financing of fully developed feature film or television projects through non-interest equity investments and/or recoupable advances.

During the 2001 fiscal year, 14 new applications were approved for a total investment of $1,016,883, including $472,652 in forward commitments from fiscal year 2000:

APPLICANT	PROJECT	CATEGORY
4237839 Manitoba Inc. (Brendon Sawatzky & Sean Garrity)	Inertia	Feature
Blazing Trail Productions (Kathryn Martin)	The Missing Shoe	Short Drama
Blazing Trail Productions (Kathryn Martin)	In Separate Worlds	Short Drama
Buffalo Gal Pictures Inc./Journey Films Inc.	The Notorious Mrs. Armstrong	Documentary
Buffalo Gal Pictures Inc./Sienna Films Inc.	Society's Child	Movie of the Week
Buffalo Gal Pictures Inc./Sound Venture Productions	Whole Notes II	Documentary Series
Credo Entertainment Corp.	Head Over Wheels	Documentary
Credo Entertainment Corp./CineGroup Corp.	A Wilderness Station	Feature
I.C.E. Productions Ltd.	Powwow Trail	Documentary Series
Marks on Things Inc./Rocky Point Pictures	They Call Me Chief	Documentary
Merit Motion Pictures Inc.	Drug Deals	Documentary
Original Pictures/Realtime Films Inc.	Poor Superman	Feature
Remote Vision Pictures Inc.	Millenium Joe Show	TV Special
Riverain Productions Ltd.	Me, My Brother, and My Father's Van Gogh	Documentary

A Wilderness Station, a feature co-produced by Credo Entertainment Corporation and CineGroupe Corporation

The Notorious Mrs. Armstrong, a documentary co-produced by Buffalo Gal Pictures Inc. and Journey Films Inc.

FILM AND VIDEO PRODUCT MARKETING SUPPORT PROGRAM

The objective of this program is to promote the marketing and distribution of Manitoba product in the local, national and international marketplace.

Financial participation is in the form of a contribution up to 50% of approved eligible costs, not to exceed $1,500 for promotional materials.

During the 2001 fiscal year, three applications were approved for a total investment of $2,700:

APPLICANT	PROJECT
Big Daddy Beer Guts Inc.	Hey! Happy
Buffalo Gal Pictures Inc.	desire
Buffalo Gal Pictures Inc.	Law of Enclosures

PROJECTS SUPPORTED IN FISCAL YEAR 2001
SOUND RECORDING PROGRAMS

SOUND RECORDING PRODUCTION FUND

This program is designed to support the production of culturally relevant and commercially viable sound recordings by Manitoba's sound recording industry. All types and classes of commercially viable sound recording productions are eligible for support.

Financial participation is in the form of a loan of up to 50% of the total budget to a maximum of $10,000 for projects with a confirmed national distribution deal. Where no national distribution deal exists, financial participation will be in the form of a loan of up to 50% of the total budget to a maximum of $5,000. All applications are adjudicated by a minimum of two juries of peers.

During the 2001 fiscal year, 19 applications were approved for a total investment of $92,023:

APPLICANT	PROJECT	CATEGORY
Blis Music	Ford Caron Duo, *Karg-Elert: Piéces Exotiques*	Classical
Blue Case Tunes	Cara Luft, *Tempting The Storm*	Folk
Boomtalk Musical Productions	"The Bridge" Musical	Rock/Pop, softer
Easily Amused Music	Easily Amused	Folk/Pop
Endearing Records Inc.	Projektor	Alternative
Fast Orange	Fast Orange	Funk
Hawg Wylde Records	Hawg Wylde, *Upanatum*	Country
Keri McTighe	Nathan	Folk
Mean Music	The New Meanies, *Highways*	Rock/Pop, harder
Moses Mayes & the Funk Family Orchestra	Moses Mayes & the Funk Family Orchestra	Funk
Nicky Mehta	Nicky Mehta, *Weather Vane*	Folk
North End Artists Colletive	North End Artist Collective	Folk/Pop
Novillero	Novillero, *The Brindleford Follies*	Alternative
Signpost Music	Steve Bell	Folk/Christian
Skender Sefa	Skender Sefa, *Guitar*	Classical
The Lovedaddys	The Lovedaddys, *The Death of Thomas Lovedaddy*	Rock/Pop, harder
The Wyrd Sisters	The Wyrd Sisters	Folk
Tracy Mastaler-Kohne	Tracy K., *Welcome To My Fantasy*	Blues
Westlake Management	Doc Walker	Country

Nicki Mehta

Fast Orange

Moses Mayes & The Funk Family Orchestra

PROJECTS SUPPORTED IN FISCAL YEAR 2001
SOUND RECORDING PROGRAMS

DEMO RECORDING FUND

This program is designed to assist in the production of demo recordings by Manitoba artists to be used for "calling card" purposes. All genres of music are eligible for support.

Financial participation is in the form of a contribution up to a maximum of $1,200. All demo applications are assessed by a jury of peers.

During the 2001 fiscal year, 27 applications were approved for a total amount of $29,962:

APPLICANT	PROJECT	CATEGORY
Amber Fleury	Amber Fleury	Country
Ambience Professional Recording	Kerri Woeke	Folk
Angela Nespiak	Angela Nespiak	Folk
Bambi Rutherford	Bambi Rutherford	Gospel Pop
Beniamin Dibra	Beni D, Quartet	Jazz
Bob G. Somers	Paper Moon	Rock/Pop, softer
Boomtalk	Maria Loscerbo	Rock/Pop, softer
Brigitte Sabourin	Brigitte Sabourin	Rock/Pop, softer
Darren Day	Darren Day	Jazz/Blues
Doily Productions	Christine Fellows	Folk
Dominique Reynolds	Dominique Reynolds	Adult Contemporary
Frenzee	Frenzee	Rock/Pop, softer
Invisible Shore Music	Sonia Marie	Rock/Pop, softer
Johnny A. Music	Thistle	Rock/Pop, harder
Nicky Mehta	Nicky Mehta	Folk
Randy Booth/Chris Burke-Gaffney	Randy Booth/ Chris Burke-Gaffney	Country
Ruth Moody	Ruth Moody	Folk
Schur Burke Group	Carla Madden	Rock/Pop, softer
Skinkeflesh Music	Chris Neufeld	Folk
Sound Works	Stephanie Sy	Rock/Pop, harder
Stefan Bauer	Stefan Bauer and the Meisterswingers	Jazz
Steven Schnoor	Steven Schnoor	Folk
Tara Lyn Abbot	Tara Lyn Abbot	Contemporary Christian
Think Tank Enterprises	Jaylene Johnson	Adult Contemporary
Timothy Clark	Not Quite Lucy	Rock/Pop, softer
TNG Music	Ray Martin	Country
West Phillies	West Phillies	Hip Hop

Projektor

The Lovedaddys

Cara Luft

Novillero

PROJECTS SUPPORTED IN FISCAL YEAR 2001
SOUND RECORDING PROGRAMS

RECORDING ARTIST TOURING SUPPORT PROGRAM

This program is designed to assist Manitoba recording artists reach audiences to promote their sound recording products through touring. The album to be toured is assessed on its Canadian content, with specific emphasis on Manitoba content, quality, suitability for radio play and sales potential.

Financial participation is in the form of a contribution up to 50% of eligible expenses, to a maximum of $7,500.

During the 2001 fiscal year, 13 applications were approved for a total contribution of $16,362:

APPLICANT	PROJECT
Blair Purda	B'ehl, "Bright Eyes" Tour 2000
Doily Productions	Christine Fellows, "2 Little Birds" Tour
Ellen Sturko	"Destiny Takes the Wheel" Tour
MDA Productions Inc.	Mark Reeves, "Takes Awhile" Tour
Mother of Pearl Records Inc.	"Heather Bishop Live" Tour
Night Sky Records	Monica Shroeder, "Expectation of Home" Tour
Woodbridge Productions	Rick Unruh, "Remember" Eastern Cdn. Tour
Rising Sun Productions	Eagle & Hawk German Tour
RoseAnna Schick	"Pushing Daisies" Tour
Sonia Marie Funk	"Sonia Marie" Tour
Swing Soniq	"Swing Soniq" Jazz Tour
The Wyrd Sisters	"Raw Voice" Tour
Woodbridge Productions	Rick Unruh,"Remember" Western Cdn. Tour

MUSIC VIDEO FUND

This program is designed to encourage the production of music videos in order to aid in the promotion and marketing of album projects with national distribution. The project must be designed for a Manitoba recording artist to promote a previously released or soon-to-be released recording, and must meet the Manitoba Content Points with regards to production of the video.

Financial participation is in the form of a contribution up to 50% of eligible expenses, to a maximum of $15,000.

Hawg Wylde

Easily Amused

The Wyrd Sisters

During the 2001 fiscal year, four applications were approved for a total contribution of $21,198:

APPLICANT	PROJECT
Hawg Wylde Records	Hawg Wylde, "I Love A Rainy Night"
Mighty Kraken Films	Weakerthans, "Watermark"
Slo Coach Recordings	Mood Ruff, "Riding Shotgun"
The Kirby Communications Group	Not Quite Lucy, "Supercharger"

RECORD PRODUCT MARKETING SUPPORT PROGRAM

This program is designed to assist with the marketing and promotion of Manitoba sound recording products. Marketing support is available for sound recording products that meet Manitoban sound recording content requirements.

Financial participation is in the form of a contribution up to 50% of eligible expenses, to a maximum of $7,500.

During the 2001 fiscal year, eight applications were approved for a total contribution of $16,362:

APPLICANT	PROJECT
Catch 23 Records Inc.	"Pushing Daisies"
Endless Possibilities	Tracy K, "Welcome to My Fantasy"
Hawg Wylde Records	Hawg Wylde, "Upanatun"
Hiroski Koshiyama	Fubuki Daiko
Janice Finlay/The Swing Cats	"The Swing Cats Live: Every Night "
Sunshine Group	"Gathering of Nations Pow-wow"
Woodbridge Productions	Rick Unruh, "Remember"
YaYo Productions Inc.	Mark Reeves, "Takes A While"

INDUSTY SUPPORT/PROFESSIONAL DEVELOPMENT

MANITOBA FILM & SOUND assists the music and motion picture industries by way of event sponsorships, and offsetting costs associated in attending industry events, festivals and conferences in the local, national and international marketplace. Assistance is also provided to industry associations to offset administration costs.

The Professional Development Conference Fund provides financial assistance for confirmed showcase acts in the form of a contribution up to 50% of allowable expenditures, to a maximum of $2,000 per fiscal year, per applicant. Assistance to music industry professionals is in the form of a contribution up to 50% of allowable expenditures, to a maximum of $1,000 per fiscal year, per applicant. All applications are adjudicated based on criteria.

During the 2001 fiscal year, 91 applications were approved for a total contribution of $163,771.

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2001

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

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MARCH 31, 2001

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

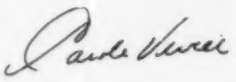
The preparation of the financial statements and other information contained in this Annual Report is the responsibility of management of Manitoba Film and Sound Recording Development Corporation.

The financial statements have been prepared with generally accepted accounting principles using management's estimates and judgments where appropriate. The financial information shown elsewhere in this Annual Report is consistent with information contained in the financial statements.

Management of Manitoba Film and Sound Recording Development Corporation has developed and maintains accounting systems and internal controls designed to provide reasonable assurance of the reliability of the financial information, and that assets are appropriately accounted for and adequately safeguarded.

The financial statements for the year ended March 31, 2001 have been audited by Meyers Norris Penny in accordance with generally accepted auditing standards. The Auditors' Report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

The Board of Directors carries out its responsibility for the review and approval of the financial statements to be included in the Annual Report. The Board of Directors meets with management and the auditor, Meyers Norris Penny, to ensure that each party has properly discharged their responsibilities.



Carole Vivier, CEO

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

AUDITORS' REPORT

To the Board of Directors
Manitoba Film and Sound Recording Development Corporation

We have audited the balance sheet of Manitoba Film and Sound Recording Development Corporation as at March 31, 2001 and the statements of revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

April 19, 2001 Chartered Accountants

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

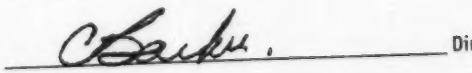
BALANCE SHEET

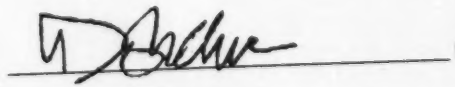
March 31

	2001	2000
ASSETS		
CURRENT		
Cash (Note 3)	$ 375,020	$ 508,897
Note receivable	-	250,000
Accounts receivable	9,247	16,251
Prepaid expenses	12,967	26,816
Inventory	5,748	8,037
	402,982	810,001
NOTES RECEIVABLE (Note 4)	184,937	150,000
CAPITAL ASSETS (Note 5)	84,517	93,547
	$ 672,436	$1,053,548

	2001	2000
LIABILITIES		
CURRENT		
Accounts payable	$ 34,280	$ 39,662
Current portion of long-term debt	-	250,000
Carry-over commitments (Note 6)	293,619	299,008
	327,899	588,670
LONG-TERM DEBT (Note 7)	184,937	150,000
	512,836	738,670
FORWARD COMMITMENTS (Note 8)		
SURPLUS		
SURPLUS	159,600	314,878
	$ 672,436	$1,053,548

ON BEHALF OF THE BOARD:


Director


Director

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

STATEMENT OF REVENUES AND EXPENDITURES

YEARS ENDED MARCH 31

	2001	2000
REVENUES		
Provincial Government funding	$2,013,900	$2,013,900
Interest income	40,000	54,916
Program recoupments	126,356	155,731
Other provincial funding	-	5,000
Miscellaneous	-	2,330
	2,180,256	2,231,877
EXPENDITURES		
Film & Television Programs Funding:		
Film Development Production	172,810	82,759
Film Production Financing Program	1,016,883	1,063,637
Film & Video Product Marketing Support Program	2,700	2,604
Interest expense	10,982	18,803
	1,203,375	1,167,803
Sound Programs Funding:		
Sound Recording Production Fund	88,078	78,712
Demo Recording Fund	29,482	26,128
Music Video Fund	21,198	13,024
Record Product Marketing Support Program	12,800	23,022
Recording Artist Touring Support Program	27,685	26,184
Professional Development	33,511	38,843
	212,754	205,913
Industry Support:		
Film:		
Industry Associations/Co-operatives	32,000	60,000
Sponsorships	54,021	22,350
Marketing	8,124	8,000
Professional Development	25,913	39,500
	120,058	129,850
Sound Recording:		
Sponsorships	26,750	34,500
Marketing	14,780	6,858
	41,530	41,358
Administrative (includes Locations/Film Commission):		
- Salaries	416,949	373,071
- Operating	340,868	314,236
	757,817	687,307
	2,335,534	2,232,231
DEFICIENCY OF REVENUES OVER EXPENDITURES	$ (155,278)	$ (354)
SURPLUS, BEGINNING OF YEAR	314,878	315,232
SURPLUS, END OF YEAR	$ 159,600	$ 314,878

STATEMENT OF CASH FLOWS

YEARS ENDED MARCH 31

	2001	2000
CASH PROVIDED (USED) BY:		
OPERATING ACTIVITIES		
Deficiency of revenues over expenditures	$ (155,278)	$ (354)
Amortization	20,888	11,281
Loss on disposal	(75)	6,788
Carry-over commitments expensed	1,421,050	1,503,232
Payments on outstanding carry-over commitment	(1,426,439)	(1,639,491)
Accounts receivable	7,004	(5,219)
Prepaid expenses	13,849	(16,249)
Inventory	2,288	(8,037)
Accounts payable	(5,381)	11,270
	(122,094)	(136,779)
INVESTING ACTIVITIES		
Additions to capital assets	(11,783)	(94,601)
Repayment of loan receivable	250,000	274,102
Advance of loan receivable	(34,937)	(150,000)
	203,280	29,501
FINANCING ACTIVITIES		
Repayment of long-term debt	(250,000)	(274,102)
Advances of long-term debt	34,937	150,000
	(215,063)	(124,102)
DECREASE IN CASH FLOWS	(133,877)	(231,380)
CASH, BEGINNING OF PERIOD	508,897	740,277
CASH, END OF PERIOD	$ 375,020	$ 508,897

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

Manitoba Film and Sound Recording Development Corporation (the "Corporation") is a statutory corporation created by the Province of Manitoba through *The Manitoba Film and Sound Recording Development Corporation Act*. The chief objective of the Corporation is to foster growth of the Manitoba film and sound recording industries by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Manitoba Film & Video Production Tax Credit Program, including registration of productions and review of tax credit applications.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

PROGRAM FUNDING

The corporation provides grant funding to Manitoba companies and individuals in four categories in order to promote Manitoba's film and sound recording artists and industries. The grant may nominally take the form of equity financing from which, in the future, there may be a recovery of principal or return on investment.

REVENUE RECOGNITION

Any recovery of principal or return on investment of programs funded is recorded as program recoupments, when received.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

Computer hardware	30%
Furniture	20%
Leasehold improvements	5%
Equipment	20%

2. SIGNIFICANT ACCOUNTING POLICIES (cont.)

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Amortization of capital assets is provided based on the Corporation's estimated useful lives of those assets.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. CASH

Cash on deposit earns monthly interest at the Chartered Bank's commercial rates.

4. NOTES RECEIVABLE

Notes receivable, advanced under the "Special Loan" fund, are required to be repaid.

	2001	2000
Term loan bearing interest at 6.375%, interest payable monthly, and principal balance due April 15, 2000, secured by an assignment of film tax credits.	-	250,000
Term loan bearing interest at 7.625%, interest payments due monthly, and principal balance due on June 1, 2002, secured by an assignment of film tax credits.	150,000	150,000
Term loan bearing interest at 7.0%, interest payable monthly, and principal balance due August 15, 2003, secured by an assignment of film tax credits.	34,937	-
	184,937	400,000
Less: Current portion	-	250,000
	$ 184,937	$ 150,000

NOTES TO THE FINANCIAL STATEMENTS

5. CAPITAL ASSETS

	2001			2000
	Costs	Accumulated Amortization	Net Book Value	Net Book Value
Website	$ 4,907	$ 1,325	$ 3,582	$ 3,735
Computer equipment	37,336	17,094	20,242	23,441
Furniture	35,360	11,306	24,054	27,628
Leasehold improvements	38,597	3,293	35,304	37,221
Equipment	2,358	1,023	1,335	1,522
	$ 118,558	$ 34,041	$ 84,517	$ 93,547

6. CARRY-OVER COMMITMENTS

Due to lead times required to obtain all the resources necessary to complete film, video and audio productions, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods.

	Year of Commitment				Total	
	00/01	99/00	98/99	97/98	2001	2000
Film						
Film development	$ 37,553	$ 1,887	$ -	$ -	$ 39,440	$ 7,466
Film production	139,777	39,216	5,650	-	184,643	230,342
Film & video marketing	1,350	-	-	-	1,350	174
Discretionary film	275	4,143	-	-	4,418	21,325
	178,955	45,246	5,650	-	229,851	259,307
Sound						
Sound recording	38,250	2,750	-	4,124	45,124	24,620
Demo recording	11,427	240	-	-	11,667	3,000
Audio marketing	1,300	-	-	-	1,300	6,992
Sound touring	1,050	-	-	-	1,050	200
Music video production	400	-	-	-	400	500
Professional Development	4,227	-	-	-	4,227	4,389
Discretionary sound	-	-	-	-	-	-
	56,654	2,990	-	4,124	63,768	39,701
Total Commitments	$ 235,609	$ 48,236	$ 5,650	$ 4,124	$ 293,619	$ 299,008

7. LONG-TERM DEBT

	2001	2000
Term loan bearing interest at 6.625%, interest payments due semi-annually and principal balance due June 1, 2002	$150,000	$150,000
Term loan bearing interest at 5.375%, interest payable semi-annually and principal balance due April 15, 2000	-	250,000
Term loan bearing interest at 6.0%, interest payable semi-annually and principal balance due March 15, 2002	34,937	-
	184,937	400,000
Less: Current portion	-	250,000
	$184,937	$150,000

Long-term debt is secured by notes receivable, which are detailed in Note 4.

8. FORWARD COMMITMENTS

Due to the demand for funding of film, video and audio productions, the Corporation approves applications for funding which will not be disbursed until subsequent fiscal periods, contingent on future provincial funding.

As at March 31, 2001 the Corporation had forward commitments of $547,117 into fiscal year 2001/2002 and of $612,463 into 2002/2003, for total forward commitments of $1,159,580.

9. LEASE COMMITMENTS

The Corporation has entered into various lease agreements with minimum annual payments as follows:

2002	60,057
2003	60,057
2004	60,057
2005	2,094

10. ECONOMIC DEPENDENCE

The Corporation's primary source of income is derived from the Province of Manitoba in the form of an operating grant.